File Civil Service Retirement

EXTENSIONS OF REMARKS

ADMINISTRATION FISCAL 1984 PROPOSALS

HON. THOMAS A. DASCHLE

OF SOUTH DAKOTA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 16, 1983

● Mr. DASCHLE. Mr. Speaker, the administration's budget for fiscal year 1984 contains many objectionable sections, but the one which I wish to address today concerns the proposals for drastic changes in the Civil Service Retirement System. These proposals constitute another episode in the administration's ongoing politically motivated attacks on the Federal employee. In its recommendations to the House Budget Committee, the Post Office and Civil Service Committee on which I serve has rejected these unfair proposals, and I fully support the committee position on this issue. For the benefit of my colleagues, I would like to insert in the RECORD copies of the administration's proposals, and the position of the Post Office and Civil Service Committee on them. The documents follow:

ADMINISTRATION FISCAL 1984 PROPOSALS

Federal employee retirement and disability.—Federal employee retirement and disability programs include a number of Federal employee retirement programs in the legislative, judicial, and executive branches. The largest program is the civil service retirement and disability program. Outlays for Federal employee retirement and disability are estimated to increase from $20.9 billion in 1983 to $22.2 billion in 1984.

Retirement and disability programs.—The Federal employee retirement system is one of the most generous pension plans available in the United States. Workers' contributions cover only 20% of the cost of the system; the Federal taxpayer pays the remaining 80%.

Legislation is proposed that would reform the civil service system to deal with the problems created by these factors. This legislative package includes:

Annuity adjustment for early retirement.—Current law provides that civil service employees may retire as early as age 55 with 30 years service and receive full benefits. By contrast, social security provides no retirement benefits before age 62. The proposal would continue to permit retirement at age 55 with 30 years service, but annuities would be reduced by an actuarial factor—5% for each year the worker chooses to retire prior to age 65. This change would be phased in over a period of 10 years, and employees age 55 or over at enactment would not be affected. The proposal is a responsible, measured way to address the early retirement problem. Since the average age at which Federal employees retire is 61, few will experience the full reduction. In addition, the reduction would not apply to persons retiring because of disability.

Cost-of-living adjustments (COLAs).—As part of a proposed Government-wide COLA policy, this proposal would freeze the cost-of-living adjustment for 1984. The proposal would also make permanent the current limitation on cost-of-living adjustments (COLAs) for non-disability retirees under age 62 by allowing one-half the full COLA increase after 1985. Under current law, the limitation of one-half of specified COLA increases expires at the end of fiscal year 1985.

Increase employee deductions for retirement.—Although retirement costs have skyrocketed, the amount withheld from Federal employees' salaries has remained constant at 7% since 1969. This has resulted in a significant departure from the principle that employees should pay 50% of the cost of the retirement system. The proposal would increase employee deductions to 9% in 1984 and to 11% in 1985. This represents approximately one-half of the cost of civil service retirement, taking into account the other reforms proposed.

Increase employer deductions for retirement.—Employer contributions for retirement would also increase to match the increase in employee deductions described above. This would include matching contributions from other entities including the U.S. Postal Service, and the District of Columbia Government, for employees who participate in the Civil Service Retirement System.

Base annuity calculations on the retirees' highest 5 years of earnings, instead of the current highest 3.—As recently as 1969, the formula for computing annuities was based on the average of an employee's 5 highest salary years; since then the three highest salary year have been used. With a return to more moderate inflation levels, it is sensible to use the highest 5 years as the base. Employees within 3 years of retirement eligibility would not be affected by the change.

Modify replacement rates.—Currently, a formula is used that determines the percentage of salary that is replaced by retirement benefits. For example, this replacement rate is now 56.25% of the final 3 years' salary for 30 years of service. The administration would alter this formula to reduce the replacement rate, if necessary in conjunction with other proposals, to reduce the cost of the system to 22% of payroll and enable employer contributions to be limited to 11% of salary.

Federal employees workers' compensation.—Federal employees or their survivors are provided tax-free cash and medical benefits for job-related injuries, illnesses, or deaths. About 47,000 workers with long-term disabilities, or their survivors are expected to receive monthly payments in 1984. This is 1,000 fewer than in 1983 because of increased efforts to return recipients to work and to remove those no longer eligible from the rolls. Outlays are estimated to decrease from $218 million in 1983 to $211 million in 1984 as a result of the proposal to delay the cost-of-living increase for 1 year.

COMMITTEE ON POST OFFICE AND CIVIL SERVICE VIEWS AND RECOMMENDATIONS ON PROGRAMS UNDER COMMITTEE'S JURISDICTION

I. CIVIL SERVICE RETIREMENT COLA

Administration proposal.—The Administration proposes to save approximately $2 billion over the next three years by eliminating the COLA due in May 1984. Civil service annuitants would receive the April 1983 COLA but would not receive another COLA until June 1985—a 13-month delay.

Committee position.—There is no justifiable basis to treat Federal retirees more harshly than beneficiaries of other Federal entitlement programs. The Administration proposes only a six-month delay in COLA for social security recipients and other beneficiaries. The Administration's budget contains no explanation for the difference in treatment. A 13-month COLA delay for Federal retirees clearly is inequitable. The Budget Committee should assume only that amount of savings that would result from imposing the same six-month COLA delay on Federal retirees as is proposed for social security recipients.

(Note.—An amendment offered in full Committee to substitute the Administration's COLA proposal for the Committee recommendation was rejected by a record vote of 3 to 19.)

II. PAY FREEZE

Administration proposal.—The Administration proposes to save $3.3 billion in FY 1984 by eliminating the October 1983 pay increase, estimated at 6.5 percent by the Administraton and 5.5 percent by CBO.

Committee position.—The Federal employees' pay increase has been capped the past five years. As of October 1982, they were 14.47 percent behind the private sector and, under the pay comparability provisions of existing law, may be as much as 22 percent behind by next October. Last year's four percent increase generally was eaten up by the medicare tax and increased health insurance premiums, resulting in a reduction in take-home pay for many employees. At a *minimum*, Federal employees should receive the four percent increase asumed in last year's budget resolution. This would result in savings of from $750 million to $9 billion depending on whose estimate of comparability is used.

(Note.—An amendment offered in full Committee to substitute the Administration's pay freeze proposal for the Committee recommendation was rejected by a record vote of 4 to 18.)

CIVIL SERVICE RETIREMENT REVISIONS

Administration proposed.—The Administration proposes drastic reform of the civil service retirement system including:

Increasing employee contributions from 7 percent to 9 percent in 1984 and from 9 percent to 11 percent in 1985;

Reducing annuities by 5 percent for each year the employee is under age 65 at the time of retirement;

Calculating annuities on the basis of highest average salary over five years rather than three years; and

Modifying the formula for computing annuities.

Committee position.—The civil service retirement system has been under attack since 1976 when Congress repealed the one percent add-on to each COLA. This constant chipping away of benefits has resulted in a total reduction in benefits of $6.7 billion. The Committee does not intend to consider the Administration's retirement proposals at this time. The proposal to extend social security coverage to certain Federal employees and the impact of such proposal on the civil service retirement system are more imminent problems the Committee will have to address in the 98th Congress.

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IV. FEDERAL EMPLOYEE HEALTH BENEFITS

Administration proposal.—The Administration proposes a major restructuring of the FEHB program. Under the proposal each employee would receive a fixed dollar amount towards the purchase of health insurance. The amount would be based on the average Government contribution for employee health insurance in 1983, indexed in future years to reflect price increases. However, the proposed index would not reflect the substantial annual increases in health care costs. Our preliminary information shows that the average Government contribution for employee health benefits in fiscal year 1984 would be reduced by $172. Existing law which limits the number of participating plans would be repealed.

Committee position.—We have witnessed a steady erosion of Federal employee health benefits under the present Administration. Premiums have increased an average of 55 percent and the overall level of benefits has substantially decreased. According to a study conducted by William M. Mercer, Inc., the value of benefits under the FEHBP now falls below the average value of benefits received by employees in the private sector and state government plans. While changes in the FEHBP are warranted, it is clear that the sole objective of this Administration with respect to the FEHBP is simply to reduce outlays—not improve the program. Our Committee prefers to achieve savings through program improvements and not through arbitrary cuts in the Government's contribution.

V. CLASSIFICATION REVIEW

Administration proposals.—The President's budget assumed savings of $700 million resulting from a review of the manner in which Federal jobs are classified.

Committee position.—The Budget Committee should not assume savings of $700 million resulting from the proposed classification review since the President's assumed savings are undocumented, and the Committee does not believe that such savings can be realized under existing provisions of law.●

TRIBUTE TO TIMOTHY HUNT

HON. JOSEPH G. MINISH

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 16, 1983

● Mr. MINISH. Mr. Speaker, I have been saddened to learn of the death at the young age of 20 of Mr. Timothy Hunt of Montclair, NJ. Tim came to work in my office as an intern late in 1981, and he immediately made his cheerful, cooperative, and energetic personality into a major asset to the staff, constituents, and visitors who came into contact with him. He worked hard and loved being here and learning about the Congress. Although illness cut short his time with us, he looked forward to returning in the next summer, and he kept in touch with calls and visits to the office which were always welcome. Tim Hunt earned our affection and respect.

Born in Glen Ridge, N.J., Tim was valedictorian of his graduating class at Montclair High School. He went on to become an honor student at the Georgetown School of Foreign Service, preparing for what surely would have been a distinguished career in the service of our country.

Our deepest sympthy goes to Tim's parents, Donald and Maxine Hunt; his sisters, Laura Claire Hunt and Marcia Carol Goldberg; and his grandmother, Anne Hunt. His presence in my office gave some idea of the loss they suffer. It is also our country's loss, since Tim was a good citizen and a good man whose strong character and kind disposition promised much for the future.●

WHO SHALL SPEAK?

HON. PETER H. KOSTMAYER

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 16, 1983

● Mr. KOSTMAYER. Mr. Speaker, the notion of a free and open exchange of ideas is an American cliche. This tolerance for the diversity and variety of human opinion goes to the soul of American life.

Yet twice recently, this administration—which constantly reminds us of its committment to getting the Government off our backs, has assaulted this historic process in the name of "national security."

The Department of Justice has invoked an obscure provision of the Foreign Agents Registration Act requiring three Canadian films recently released in this country to carry a disclaimer stating that they have been registered with the Department of Justice but that this registration "does not indicate approval of the contents of this material by the United States Government." Furthermore, records will be kept of the names of groups, schools, libraries, and private institutions that have asked to see the films.

This intrusive and intimidating conduct has no place in a free society.

The Justice Department should not render political judgements that are better made by American citizens. Rather, it should concern itself with crime, not the dissemination of ideas.

Fresh from rescuing us from the Canadian films, the administration discovered yet another threat in the form of 68-year-old Hortensia Allende, the widow of the late Chilean President, Salvador Allende. She was denied a visa to travel from her home in Mexico City to speak to church groups in San Francisco on the subject of human rights and women's rights. The State Department said her presence in this country would be prejudicial to the interests of the United States.

It has never been in the interests of the people of the United States for the Government to decide who shall speak and who shall not.

Contrary to what the administration says, it is they, not Mrs. Allende or the Canadian films, which pose the real danger to America.

REFUNDABILITY OF THE DEPENDENT CARE TAX CREDIT

HON. BARBARA A. MIKULSKI

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 16, 1983

● Ms. MIKULSKI. Mr. Speaker, I am pleased to be joined by my colleagues Mr. SHANNON and Mr. DOWNEY to introduce legislation making the dependent care tax credit refundable. This legislation is directed toward the needs of low-income families—families caught in the earnings gap between two forms of child care assistance. These are families who are working and earning too much to qualify for AFDC or title XX child care programs but who do not earn enough to benefit from the tax credit program.

A refundable credit will allow families to receive a refund in the amount of the credit they could have claimed had they earned enough to pay income taxes.

The benefit of assisting low-income earners through the Tax Code rather than through other forms of Federal subsidies is that the choice or appropriate child care remains with the family. The refundability provision will reimburse families for a portion of their child care expenses regardless of whether they send their children to a child care center in the neighborhood church or hire the children's grandparent to stay with the children after school.

This bill is part of the Women's Economic Equity Act, introduced today in both the House and the Senate. I urge my colleagues to support this legislation.●

SECOND PHASE OF JOBS BILL NEEDED

SPEECH OF

HON. BARBARA B. KENNELLY

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 3, 1983

● Mrs. KENNELLY. Mr. Speaker, today as we begin consideration of the jobs bill, we no doubt are going to hear a great deal about how the recovery has begun in this country. We are thankful for the many bright signs; however, for millions of Americans there has not been any recovery yet and there might not be one unless we do the right thing. Recovery will not begin unless we address training and retraining of the American people.

I am not saying that today's bill is not good, in fact it is a good jobs bill, but it is not enough. For example, over $700 million is designated to go toward public services, toward jobs that women usually hold. This is not nothing; it is a lot of money. But we can use more as far as retraining and new training for women so that they, who